

**Before the  
Public Service Commission of South Carolina  
Docket No. 2014-4-G**

**Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies  
of  
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits of  
of  
Robert L. Thornton**

**On Behalf Of  
Piedmont Natural Gas Company, Inc.**



**June 4, 2014**

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row  
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**  
5 **Natural Gas Company?**

6 A. I am employed as Managing Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I  
9 was employed by Duke Power Company as a staff accountant. In 1990 I was  
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was  
11 employed by Public Service Company of North Carolina, Inc. ("PSNC") as a  
12 Senior Financial Accountant and was promoted to Director – Investor Relations  
13 and Financial Projects in 1998. After PSNC was acquired by SCANA  
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and  
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as  
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont  
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas  
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in  
19 February 2008 and to Managing Director of Gas and Regulatory Accounting in  
20 March 2014.

21 **Q. Please describe your responsibilities as Managing Director of Gas and**  
22 **Regulatory Accounting.**

23 A. My responsibilities include: recording the cost of gas on Piedmont's books,

1 maintaining a proper match of revenues and cost of gas in Piedmont's income  
2 statements, recording Piedmont's margin in accordance with regulatory  
3 requirements in each of the three state jurisdictions in which Piedmont  
4 operates, verifying volumes and prices on all invoices relating to the purchase  
5 and transportation of natural gas, and recording gas inventory accounts and  
6 deferred accounts. I am also responsible for the middle office functions related  
7 to daily reconciliation of purchases and sales of gas as well as the experimental  
8 hedging program implemented in South Carolina pursuant to Commission  
9 Order No. 2002-223 dated March 26, 2002. I am also responsible for the  
10 billing functions associated with the Company's large-volume customers.

11 **Q. Have you previously testified before this Commission or any other**  
12 **regulatory authority?**

13 A. Yes. I have previously testified before the Public Service Commission of South  
14 Carolina and the North Carolina Utilities Commission on several occasions.

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony in this proceeding is to report to the Commission  
17 Piedmont's end-of-period balances in and accounting for its deferred gas costs  
18 accounts in order to permit the Commission to determine that Piedmont's true-  
19 up procedures for the review period have resulted in a properly stated cost of  
20 gas and that Piedmont's gas costs are properly recorded in compliance with  
21 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

1 **Q. Has the Office of Regulatory Staff reviewed Piedmont's accounting for its**  
2 **cost of gas for the review period in this proceeding?**

3 A. Yes. The Commission has previously ordered the Company to maintain an  
4 account reflecting its gas costs each month, the amount of gas costs recovered  
5 each month, and amounts deferred each month. The audit staff of the ORS has  
6 conducted a detailed audit and review of the review period activity in that  
7 account, as well as the detailed data supporting the accounting entries to that  
8 account. A summary of the review period activity in that account is attached  
9 hereto as **Exhibit\_\_ (RLT-1)**.

10 **Q. Does the Company also maintain a hedging deferred account?**

11 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural  
12 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant  
13 to this program, Piedmont maintains a Hedging Deferred Account in which it  
14 records the results of its hedging activities undertaken in accordance with its  
15 hedging plan. The audit staff of the Office of Regulatory Staff has also  
16 conducted a detailed review of the activity in this account and the detailed  
17 accounting data supporting that activity. A summary of the review period  
18 activity in Piedmont's Hedging Deferred Account is attached hereto as  
19 **Exhibit\_\_ (RLT-2)**.

20 **Q. Does this conclude your testimony?**

21 A. Yes.

# **EXHIBIT\_\_(RLT-1)**

Piedmont Natural Gas Co., Inc. - South Carolina  
Gas Cost Deferred Account Activity  
Annual Prudence Review - Docket No. 2014-4-G  
12 Months Ended March 31, 2014  
**Debits (Credits)**

Exhibit\_\_(RLT-1)

Reporting Month ==>	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	
Gas Flow Month ==>	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Totals
Beginning Balance	2,773,948.68	4,255,753.84	4,145,721.31	5,383,542.36	6,630,150.19	7,902,439.05	8,893,609.29	9,635,908.55	7,111,471.08	3,514,170.72	(5,954,109.79)	(7,302,574.73)	
Billed vs. Filed Commodity True - Up	903,521.06	(1,128,043.18)	(168,795.58)	(205,759.19)	(244,254.12)	(305,429.62)	(358,993.51)	(1,334,052.75)	(954,141.37)	888,650.36	3,646,983.04	1,762,618.66	2,502,303.80
Demand True-Up	683,398.03	1,157,680.12	1,433,457.23	1,451,754.59	1,429,515.85	1,356,144.44	1,111,787.69	(944,672.70)	(1,500,322.19)	(4,114,515.38)	(1,738,116.49)	(1,392,475.35)	(1,066,364.16)
Negotiated Losses	38,352.26	47,163.80	55,442.81	57,176.91	56,788.35	59,419.88	59,467.68	147,621.95	160,581.41	143,249.46	99,852.49	126,908.22	1,052,025.22
Capacity Release Credits	(169,917.74)	(207,229.26)	(203,700.01)	(206,925.71)	(203,910.11)	(206,036.90)	(182,147.52)	(206,333.23)	(256,051.47)	(221,475.94)	(236,890.50)	(464,783.18)	(2,765,401.57)
SC Portion of Off System Sales Revenue	(510,236.18)	(320,060.10)	(313,344.44)	(501,702.85)	(422,308.94)	(888,571.18)	(1,700,981.18)	(1,080,641.62)	(2,194,974.11)	(6,903,357.87)	(4,888,027.64)	(1,421,013.79)	(21,145,219.90)
SC Portion of Off System Sales Costs	499,520.17	314,424.76	309,237.28	490,482.51	414,112.71	871,461.58	1,627,642.57	953,023.62	1,817,345.18	1,751,167.24	3,319,859.12	971,855.30	13,340,132.04
WNA	3,661.02	341.20	23.65	32.60	132.74	(52.69)	8.46	(117,090.62)	(481,289.54)	(411,710.63)	(1,085,183.12)	(166,976.99)	(2,258,103.92)
Supplier Refunds	-	-	(581.27)	-	(28,836.73)	-	-	-	-	-		(1,719,634.50)	(1,749,052.50)
SC - Uncollectibles	25,901.13	48,980.01	62,834.32	32,534.98	64,223.50	33,842.23	24,183.51	5,446.59	83.12	(434.96)	5,168.49	11,543.76	314,306.68
Monthly Hedging Transfer	804.90	(33,115.10)	50,795.90	112,797.40	186,266.90	47,580.90	136,720.03	28,569.40	(204,799.10)	(596,482.20)	(453,852.33)	(52,086.96)	(776,800.26)
Other Adjustments	-	-	-	-	-	-	-	-	-	-		-	-
Ending Balance Before Interest	4,248,953.33	4,135,896.09	5,371,091.20	6,613,933.60	7,881,880.34	8,870,797.69	9,611,297.02	7,087,779.19	3,497,903.01	(5,950,739.20)	(7,284,316.73)	(9,646,619.56)	
Interest	6,800.51	9,825.22	12,451.16	16,216.59	20,558.71	22,811.60	24,611.53	23,691.89	16,267.71	(3,370.59)	(18,258.00)	(23,841.87)	107,764.46
Ending Balance	4,255,753.84	4,145,721.31	5,383,542.36	6,630,150.19	7,902,439.05	8,893,609.29	9,635,908.55	7,111,471.08	3,514,170.72	(5,954,109.79)	(7,302,574.73)	(9,670,461.43)	
Monthly Interest Rate	2.324%	2.810%	3.140%	3.244%	3.400%	3.264%	3.192%	3.400%	3.680%	3.320%	3.310%	3.376%	

# **EXHIBIT\_\_(RLT-2)**

**Piedmont Natural Gas Company, Inc. - South Carolina**  
**Hedging Account Activity**  
**Annual Prudence Review - Docket No. 2014-4-G**  
**12 Months Ended March 31, 2014**  
**Debits (Credits)**

Exhibit\_\_(RLT-2)

	# of Contracts Executed / Exercised	Beginning Balance	Net Options Premium	Fees 1	Margin Requirement (P&L Cash Act)	Consultant Fees	Proceeds from Positions	Fees 2	Interest from Brokerage Account	Other Monthly Fee	Monthly Gain / Loss Transfer
April 2013	-	\$ -	-	-	-	790.50	-	-	-	14.40	804.90
May 2013	-	\$ -	(33,920.00)	-	-	790.50	-	-	-	14.40	(33,115.10)
June 2013	33	\$ -	50,270.00	511.50	-	-	-	-	-	14.40	50,795.90
July 2013	75	\$ -	110,830.00	1,162.50	-	790.50	-	-	-	14.40	112,797.40
August 2013	124	\$ -	183,540.00	1,922.00	-	790.50	-	-	-	14.40	186,266.90
September 2013	32	\$ -	46,280.00	496.00	-	790.50	-	-	-	14.40	47,580.90
October 2013	93	\$ -	134,473.63	1,441.50	-	790.50	-	-	-	14.40	136,720.03
November 2013	19	\$ -	27,470.00	294.50	-	790.50	-	-	-	14.40	28,569.40
December 2013	41	\$ -	(207,030.00)	635.50	-	1,581.00	-	-	-	14.40	(204,799.10)
January 2014	62	\$ -	(597,460.00)	961.00	-	-	-	-	-	16.80	(596,482.20)
February 2014	52	\$ -	(455,420.00)	806.00	-	746.00	-	-	-	15.67	(453,852.33)
March 2014	29	\$ -	(53,080.00)	232.50	-	746.00	-	-	-	14.54	(52,086.96)
		Activity Totals	(794,046.37)	8,463.00	-	8,606.50	-	-	-	176.61	(776,800.26)



## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the attached documents are being served this date via email and UPS Overnight (via email and U.P.S. Overnight) upon:

C. Lessie Hammonds  
Jeffrey M. Nelson  
Office of Regulatory Staff  
1401 Main Street  
Suite 900  
Columbia, South Carolina 29201  
lhammon@regstaff.sc.gov  
jnelson@regstaff.sc.gov

And that a copy of the attached documents are being served this date via email upon:

David Carpenter  
Vice President – Planning and Regulatory Affairs  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, North Carolina 28233  
david.carpenter@piedmontng.com

Pia Powers  
Director - Regulatory Affairs  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, North Carolina 28233  
pia.powers@piedmontng.com

This the 4th day of June, 2014.

s/ James H. Jeffries IV  
James H. Jeffries IV